

Justification for Other Than Full and Open Competition

I. CONTRACTING ORGANIZATION:

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II. DESCRIPTION OF ACTION:

A. The actions described herein will provide operations and sustainment support for the E-8 Joint Surveillance Target and Attack Radar System (Joint STARS) weapon system, a major program assigned to the Program Executive Officer for Command and Control (AFPEO/C2). Sustainment responsibility for Joint STARS rests with ESC/CC. The Air Force proposes the award of a new contract to provide Total System Support Responsibility (TSSR) for the Joint STARS weapon system. This proposed new contract action has been identified as Joint STARS Future Support (FS). Under the FS TSSR concept, Northrop Grumman, Melbourne, Florida (NG), will serve as the weapon system integrator to provide life-cycle oriented operations & sustainment support. The FS contract will incorporate most existing sustainment contracts into a consolidated and streamlined sustainment contract structure. The overarching objectives of this support are: available aircraft, trained crews, and efficient financial management. Key tenets of the FS contract are:

- A Performance-Based Contract;
- Performance Incentives and Disincentives;;
- Partnerships Between the Contractor and Government Depots, Services, and Agencies;
- Meeting the Intent of Source of Repair and Core Decisions;
- Maximum Prudent Use of Subcontract Competition;
- Transparency to the Warfighter;
- Synchronization of Block Upgrades and Production with Sustainment Activities;
- Cost of Performance Within Budget;
- OSS&E Delivered by Disciplined Engineering Processes; and
- “Best Value” Delivered to the Warfighter.

The ultimate goals of the FS program are to increase weapon system availability and to decrease total ownership costs. The performance incentives of the FS contract will strive to maximize the contractor’s accountability, and therefore, his reward or penalty, to the degree he achieves these goals.

B. This is a class justification and approval (J&A). The use of a class J&A is necessary due to the requirements of AFFARS 5306.304-93 and the nature of the supplies and services being acquired. A class J&A is required as the result of limited ability to establish pricing for these requirements over long periods of time. Initially the first three contract ordering periods, representing approximately 30 months of performance, will be priced. The remaining four ordering periods will be priced at 24-

month intervals after contract award. Any additional contract periods awarded through the Award Term provision will be priced on a cycle, and for a duration, that reflects sound business judgment. Additionally a class J&A is required to support the future block-cycle modification activity. Conceptually, major modifications to the weapon system will be procured at the Electronic System Center at Hanscom AFB. Once the modification kit and installation procedures are baselined, procurement of the kit and/or kit installation will be accomplished, as approved in the block-cycle acquisition strategy, via the FS contract. While not NTE options as contemplated in the AFFARS 5306.304-93, these events constitute essentially the same action requiring stand-alone negotiation prior to execution of the contract action. Given this information a class J&A is both reasonable and necessary to achieve the overarching objectives and key tenets of FS.

C. FS will utilize an ordering-type contract. Use of this contract type will provide the flexibility needed to respond to the dynamic Joint STARS operations and sustainment environment. This flexibility will come in the form of ordering capability to negotiate and place orders for contract scope as requirements and funding are realized. A relatively fixed scope of work will be necessary to provide a desired level of sustainment support. This scope will be identified and agreed to by the government and the contractor on a recurring basis considering known requirements, available funding, operations tempo, system performance needs, and other factors, before the beginning of each negotiation cycle. This scope will be contracted via orders against the basic contract and forms the significant, relatively stable base under which the contractor will execute day-to-day management of the program. Subsequent orders will be placed based on generation of additional requirements and availability of funds. Use of this contract type also provides benefits of expedient execution for pre-priced requirements and prompt closeout of completed orders.

D. Pricing will be accomplished predominantly on a Cost Plus Award Fee basis during the initial phase of the contract. As the contract matures, the pricing approach will be re-evaluated. Award Term is considered to be the primary incentive for the FS contract with the award fee provision as a complementary incentive. These incentives will be focused and streamlined throughout the contract definitization process.

The use of the contract types and mechanisms described in paragraphs II.C and II.D above meets the tenets of acquisition reform and allows the JPO to manage the program via a flexible, streamlined approach that ultimately affords the program a faster, better, cheaper way to satisfy warfighter needs.

E. The minimum term of the contract will be six years. This minimum ordering period provides a stable business base at the beginning of the program and incentivizes contractor investment. The maximum anticipated term of the FS contract is for the remainder of the weapon system lifecycle, currently anticipated to be 22 years. This contract term is logical and reasonable given the life-cycle focus of the FS acquisition. The potential length of contract will act as an incentive to the contractor. Under the award term concept, the contract duration is lengthened or shortened based on the Award Term Determining Official's judgement and the contractor's performance to established metrics. Based on the life-cycle focus of the FS program, the contemplated contract duration is appropriate.

F. FS contract award is projected for September 2000. Expiring sustainment contracts and the need to provide uninterrupted contract support for the Joint STARS weapon system drive this award date. Current contracts and extensions provide support through September 2000. Many of these contracts

have options to extend performance should they be needed. However, October 2000 is the most logical transition point given the current contract support structure. An FY'00 contract award will provide for a transition period from current support contracts to assumption of FS responsibilities in October FY01. Full assumption of FS TSSR responsibility will occur as some activities currently performed on NG contracts, by the Government, or by other contractors, transition to the FS contract. FY'00 award drives a very ambitious execution schedule but will help ensure uninterrupted warfighter support.

G. The estimated contract value is \$7 billion (ceiling) over the 22-year contract period. This amount is inclusive of the supplies and services to be provided by FS as described in this document.

H. Joint STARS is a Section 912c and Air Force Lightning Bolt 99-7 pilot program. As such FS will seek to maximize the best value application of industry and government partnerships. Given the FS TSSR goal of maximizing contractor responsibility for weapon system performance outcomes, the contractor is being encouraged to establish agreements with applicable government activities that support the Joint STARS weapon system. Initially these relationships will be formalized using memoranda of agreement or other appropriate medium. Consideration will be given to more formal agreements based on future legislative and regulatory activity in the area of public/private direct sales opportunities. This contract will not transfer responsibility for CORE government workload (as defined and dictated by 10 U.S.C. 2464 and other applicable statutes, regulations, etc.). Rather, CORE government workload is targeted under FS for industry/government partnership opportunities, a unique attribute of FS. A contractor-established backup capability for CORE workloads will be available to ensure NG's ability to achieve weapon system performance requirements. Use of this backup capability will only be invoked and charged to the contract in the event that government activities are unable to provide the required level of support in those CORE workload areas, and the requisite approvals are obtained.

I. Risk Assessment:

- Cost – the assessment of risk in this area is moderate. Factors driving this assessment are the need for an accurate cost baseline from which to measure cost performance, the uncertainty of crafting effective cost and performance incentives, the change in scope introduced by the addition of the integration requirement, and the issue of funding shortfalls in the FYDP.
- Schedule – the assessment of risk in this area is moderate to high. Factors driving this assessment are the aggressive schedule for executing the contract and bedding down the TSSR concept, and the fact that operations tempo will drive sustainment activities under the contract.
- Technical – the assessment of risk in this area is moderate. Factors driving this assessment are the immaturity of weapon system performance standards, the impacts of modification activity and configuration control on aircraft availability, weapon system support during the FS transition period, the viability of “off ramps”, the opportunity for long term performance improvements, and the impact of COTS integration along with DMS mitigation.

III. DESCRIPTION OF SUPPLIES /SERVICES:

A. The FS contract will deliver a broad range of support for in-garrison and deployed activities of the Joint STARS weapon system. The contract will provide this support in four output-oriented areas. Each of these areas are described below and will be further definitized through the Technical Requirements Document (TRD) and the Integrated Master Plan (IMP). The four areas are as follows:

MANAGEMENT & INTEGRATION

- Integration/Life-Cycle Systems Engineering
- Reduction of Total Ownership Costs
- Joint Cost/Performance Model Development & Maintenance
- Management Support
- Engineering Support
- Operational Safety, Suitability, and Effectiveness

SUSTAINMENT

- Air Vehicle Support (Programmed Depot Maintenance, Over & Above, etc.)
- In-Flight Trainer Support
- PME Repair
- Software Maintenance
- Tech Orders/Joint STARS Integrated Management Information System (JIMIS)
- Supply Chain Management
- Field Operations

TRAINING & TRAINING SYSTEMS

- Crew Training
- Training and Training Systems Infrastructure
- Training Concurrency

MODIFICATIONS & RETROFITS

- Modification Kit Procurement
- Modification Kit Installation
- Minor Modifications

B. The areas of performance are structured at a high level to provide the requisite degree of flexibility needed in the FS contract. The contractor will be responsible for delivering a stated level of performance within the areas addressed above. Within these areas the contractor will have the discretion to execute day-to-day management initiative to deliver the required level of performance.

C. Air Combat Command (ACC), the Contractor, and the Program Office will meet periodically to assess requirements and anticipated budget availability. The principal parties will determine the best use of the available funds versus performance needs. A Joint Cost/Performance parametric model to be developed under this contract will support this activity. The model will also assist in determining the level of performance that can be acquired given a certain budget. This model is expected to be available 18 to 24 months after contract award.

D. FS will provide for the execution of minor modifications. It will also support major modifications executed at the Product center through the acquisition of modification kits and modification kit installation for current and future modification activity. The determination to acquire modification kits and/or installation will be made by the official(s) responsible for approving the acquisition strategy for that modification. Current modification activity for the Joint STARS weapon system is set forth below.

| <u>Modification Area</u> | <u>Implementation Timeframe</u> | <u>Kit and Installation Est. Value</u> |
|---|---------------------------------|--|
| Block 20 – Computer Replacement Program | Through FY 05 | \$163.7M |
| Block 30 – Satellite Communications (SATCOM) Retrofit | Through FY 05 | \$28.0M |
| Block 40 – Radar Technology Insertion Program | Through FY 12 | \$1,146.0M (5 Acft.) |

E. The original Source of Repair Assignment Process decisions for Joint STARS produced a combination of contract and organic support systems. Portions of the prime mission equipment (PME) repair and software maintenance activities were identified for organic support. This organic maintenance activity was later determined to be a CORE maintenance activity. The contract support has developed into a mixture of competitive and sole source contracts. The sole source contracts were further broken out between NG and various other contractors. The current sustainment contract structure is as follows:

| <u>Contract Number</u> | <u>Requirement</u> | <u>Sole Source/Comp (Ktr)</u> | <u>Value/Length</u> |
|------------------------|-----------------------------|-------------------------------|---------------------|
| F09603-95-C-1001@ | Spare Engine QEC/Mod | Sole Source (GE Eng Svcs) | \$16.2M/3 yrs |
| F09603-94-C-0850* | Air Vehicle CLS | Competitive (Raytheon) | \$129.2M/5 yrs |
| F09603-97-D-0001* | Engineering Svcs | Sole Source (NG) | \$30.0M/4 yrs |
| F09603-93-D-1207+ | T.O. Verification | Sole Source (TAMSCO) | \$1.5M/4 yrs |
| GS35F4630G+ | T.O. Support | Sole Source (TAMSCO) | \$1.8M/5 yrs |
| GS35F4906G+ | Manpower Support | Sole Source (HTI) | \$350K/1 yr |
| F09603-94-D-0798# | Test Pgm Sets | Sole Source (DME Corp) | \$9.1M/5 yrs |
| F09603-96-C-0005* | PME ICS | Sole Source (NG) | \$73.3M/5 yrs |
| F09603-96-C-0406# | ICS Repair, SRU TPSs | Sole Source (Cubic Def. Sys.) | \$22.5M/5 yrs |
| F09603-96-C-0074* | Software ICS/CLS | Sole Source (NG) | \$97.8M/5 yrs |
| F09603-96-C-0207* | Software Support Facility | Sole Source (NG) | \$31.5M/3 yrs |
| F33657-98-D-2029* | Flight Crew Training System | Competitive (Lockheed) | \$3.99M/16 mos |
| F42630-94-C-0325* | PME Maint Trainer | Sole Source (AAI Corp) | \$42.6M/6 yrs |
| F44650-99-C-0002* | Mission Crew Training | Sole Source (Boeing Aero) | \$11.8M/5 yrs |
| F19628-99-D-0001-0002* | Integrated Engineering | Sole Source (NG) | \$5.0M/yr |
| F19628-90-C-0197* | JIMIS TMD | Sole Source (NG) | \$4.1M/yr |
| F19628-95-C-0169* | JIMIS Presentation | Sole Source (NG) | \$3.6M/yr |

@ Is not a recurring requirement.

* FS will subsume requirements for these contracts.

Contract delivers Depot PME capability. TPS maintenance and modification will be on the FS contract.

+ FS may subsume this requirement depending on future need.

Not included in the above list are several smaller contracts for spares and one-time repairs. As of 13 June 2000, this list was comprised of nine contracts with an estimated value of \$250,000 awarded to various vendors.

IV. AUTHORITY

The statutory authority, which permits other than full and open competition for this acquisition, is 10 U.S.C. 2304(c)(1) as implemented by FAR 6.302-1, Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements.

V. APPLICABILITY OF AUTHORITY:

A. The justification for proceeding under other than full and open competition is the result of both the nature of the requirement and the unique capabilities of NG.

B. The requirement being satisfied by this J&A is the TSSR requirement. Under this concept the contractor is required to integrate weapon system sustainment, training, development, and production activities to maximize weapon system availability and reduce total ownership costs and achieve TSSR objectives. As such the nature of this requirement lends itself to a sole source arrangement due to the varied and complex relationships, as described in Section III, within and among support areas that require continuous monitoring and management. There are three prime factors that define the needed weapon system support structure. First, Joint STARS is a low-density (small in number), high demand weapon system. Second, planned block modifications will modify the PME to add a significant commercial off-the-shelf hardware presence. And third, the weapon system is expected to experience significant and continuous modifications through the remainder of its useful life. Given these parameters, the Joint STARS program was directed by SAF/AQ on 28 April 1999, with the coordination of HQ-AFMC/CC on 23 August 1999, to adopt the TSSR concept of support for the weapon system. Current plans call for a Joint STARS fleet of 15 operational aircraft. Preference for support of this and similar low-density weapons systems has moved toward greater reliance on the commercial sector. The rationale for this decision is that the small fleet size does not warrant the investment to establish a government support capability or accomplish significant vendor breakout. Planned modifications of the Joint STARS weapon system, primarily the Computer Replacement Program described in paragraph III.D. above, will introduce a significant percentage of COTS hardware. The commercial sector is already postured to provide support of COTS equipment. HQ AFMC/CC stated in the 23 August 1999 meeting that AFMC would not establish a duplicate government capability to support COTS. Finally, as identified above, there are significant modifications planned for the weapon system, and it is also reasonable to expect this modification activity to continue throughout the life of the weapon system. Coordination of these modification activities must be accomplished in such a manner that the impact to availability of this high-demand weapon system is minimized. The degree of coordination is best accomplished through a sole source integration and synchronization effort of all modification, production, and sustainment activities. Based on the above the TSSR requirement is sole-source in nature.

C. NG is the only source capable of satisfying the TSSR requirement described above. NG is the sole designer, developer, and manufacturer of the Joint STARS weapon system. As the single producer of this system, NG is the only contractor in possession of the technical data, facilities, and detailed knowledge of Joint STARS required to successfully provide integration of all weapon system production, sustainment, training, and modification activities, as described in Section III. No other source has access to, or is in possession of, the required technical data, facilities, and expertise to satisfy the Joint STARS TSSR requirement.

Given their experience with Joint STARS, NG is the only source that can provide the level of management expertise necessary to achieve the goals and tenets described above. The complexity of managing the evolving baseline to coordinate production activity, modification activity, sustainment activity, and operational needs requires expertise that cannot be found in any other contractor.

Joint STARS is a technically complex weapon system. The ability to diagnose and resolve performance issues is critical to the availability of mission capable aircraft. NG is the only source for fully qualified technical personnel to accomplish this function. Further, they are the only source for complete technical data necessary to successfully accomplish these tasks.

Successful support of Joint STARS requires special facilities to test and maintain subsystems of the weapon system. Specifically, unique capability resides at the Integrated Software Facility (ISF) and the Integrated Testing Facility (ITF). The function of the ISF is to fully test, troubleshoot, and integrate developing and modified software. The mission of the ITF is to perform system engineering and software configuration management for the Joint STARS PME and ITF equipment. Together these facilities and their capabilities to test the system and its software are necessary to ensure the operational effectiveness of the Joint STARS weapon system. Both of these facilities are found only at NG. Originally the program was to establish twin facilities at NG and WR-ALC. Budget cuts resulted in deletion of the WR-ALC facilities requirements. Duplication of these facilities at this time would be cost prohibitive and is not programmed into the weapon system budget.

D. Given the complex nature of the requirement described in paragraph B, and the unique qualifications of the contractor described in paragraph C, the use of Other than Full and Open Competition procedures to satisfy the Joint STARS TSSR requirement is prudent and justified.

VI. EFFORTS MADE TO OBTAIN COMPETITION:

The FS requirement was synopsised in the Commerce Business Daily on 17 November 1999 (attached). No source other than NG responded to the prime contract requirement. Responses for subcontract interest were forwarded to NG for further attention. This response supported the presumption, as stated in paragraph V above, that NG is the only source capable of satisfying the Government's requirements for Joint STARS TSSR.

VII. FAIR AND REASONABLE COSTS:

A. The Contracting Officer has determined that the Government will be able to obtain/negotiate fair and reasonable prices for efforts under this contract. Thorough technical, price and/or cost analyses will be performed as necessary by the Joint STARS FS team, Defense Contract Audit Agency (DCAA) and/or the Defense Contract Management Agency (DCMA). NG will be required to furnish certified cost and pricing data when applicable. Assist audits, rate reviews and other evaluations of major subcontract effort will be accomplished, as necessary, by the cognizant DCAA and DCMA organizations. DCAA and DCMA analyses will be combined with Joint STARS FS team analyses and used in the substantiation of fair and reasonable costs.

B. Tenets of acquisition reform will be applied to the execution of the FS contract through use of a streamlined, parallel requirements generation and pricing process (commonly know as IPT Pricing, 8-Step, One Pass, etc.). Benefits of this process are dramatic reduction in contract execution lead-time and required documentation. This process also fosters a better understanding of the requirements by all parties involved in the acquisition. These benefits are accomplished through joint identification and

development of requirements, terms and conditions, rates, and kinds and quantities of labor. It should be noted that even though government personnel contribute significantly to the pricing efforts in this process, the contractor retains responsibility for currency, completeness, and accuracy of cost or pricing data. As stated in the preceding paragraph, the contractor will be required to sign the necessary certification of current cost or pricing data and will be accountable under the appropriate contract clauses.

C. The requirements will be priced as far into the future as is reasonable given the fluid nature of the requirement. That which cannot be priced with a reasonable degree of certainty will be subject to budgetary constraints. Aircraft deliveries will be completed in the first four years of the contract, and the fleet will also begin receiving block 20 and 30 modifications during the same time. All of these activities will have an impact on the level of effort required to achieve the stated performance standards. Part of the integration scope described above is the development, validation, and maintenance of a parametric Joint Cost/Performance model. At a minimum, this model will be used in the negotiation of successive years of the contract. Other information, such as actual direct and indirect labor historical data, will also be taken into account in determining the scope, performance measures, and contract price through the life of the contract. Comparison to similar weapon systems may also be used in determining the reasonableness of contract price. NG's efforts at Reduction in Total Ownership Costs will be taken into account, too.

VIII. MARKET RESEARCH:

A. Market research was conducted early in the development of the Joint STARS follow-on sustainment requirement that evolved into FS. At that time the requirements identified as sole-source to NG were synopsisized in the Commerce Business Daily through a notice of contract action. NG was the only source to respond to the notice. Furthermore, the requirements identified as inherently competitive were advertised through a sources sought synopsis. The competitive requirement was comprised primarily of programmed depot maintenance and training. Responses to the sources sought synopsis indicated that viable competition existed.

Despite the competitive nature of some FS components, the TSSR requirement described in paragraphs II and III of this document can only be satisfied by NG. Rationale for this conclusion is provided in paragraph V. Contract clauses and the statement of objectives will require NG to implement best-value business practices to include competitive vendor selection.

Given the information obtained in the earlier market research, a separate market research for FS was not considered necessary. As indicated above in paragraph VI, the FS requirement was synopsisized and NG was the only source expressing interest in the prime contract effort. This result supports the determination in paragraph V that NG is the only source capable of satisfying the FS requirement.

B. The FS requirement represents a consolidation of multiple previously stand-alone contracts. Whether this requirement qualifies as bundling as defined in FAR 2.101 is still under discussion with the Small Business Administration. In the event FS is determined a bundled contract, the required approvals will be obtained prior to contract award. In any event, there is no restriction on small business competing at the subcontract level for any of the requirements suitable for small business performance. Furthermore, the prime contract will contain a subcontracting plan requirement that will be evaluated in accordance with FAR requirements.

IX. OTHER FACTS:

A. The Government does not have sufficient technical data required to create a second source for Joint STARS TSSR. In addition, no other source has access to or possession of the required technical data or documentation to design, develop and integrate production, sustainment and modification activities with operational needs of the weapon system. These and the other circumstances described above preclude the use of other sources.

B. Block C(3) of the DD Form 350 will be coded D, Not Competed.

X. INTERESTED SOURCES:

NG is currently the only company that can effectively accomplish all the tasks associated with this TSSR requirement. No other sources are known to have the requisite knowledge and capability of performing all the tasks in a timely and effective manner.

XI. STEPS TO FOSTER COMPETITION:

A. The Government will take steps to increase competition at the subcontractor level. The Competition in Subcontracting (FAR 52.244-5) clause will be included in the FS TSSR contract. In addition the government intends to participate in subcontracting activities through the Consent to Subcontract (FAR 44.201-1) function. Finally, the contract incentives will assess NG's success in delivering best value to the customer.

B. A feature of the award term incentive is the opportunity to exercise an "off ramp" in the face of consistent contractor inability to perform to contract standards. This function, if used, will be a tool of last resort. In the event an off ramp is executed, it is anticipated those portions of the FS scope that can be competed will be removed from the FS contract and competed on the open market. Should the TSSR concept not yield the desired results, competition will be enhanced by the execution of an off ramp.

XII. CONTRACTING OFFICER'S CERTIFICATION:

The Contracting Officer's signature on the Justification Review Document evidences that he has determined this document to be both accurate and complete to the best of his knowledge and belief.

XIII. TECHNICAL/REQUIREMENTS PERSONNEL'S CERTIFICATION:

As evidenced by their signatures on the Justification Review Document, the technical and/or requirements personnel have certified that any supporting data contained herein, which is their responsibility, is both accurate and complete.